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Fifty-third session
Agenda item 112
Review of the efficiency of the administrative and financial functioning of the United Nations

Outsourcing practices

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on outsourcing practices (A/53/818). During its consideration of the report, the Committee met with representatives of the Secretary-General who provided additional information.

2. The Committee notes from the summary of the Secretary-General's report that in preparing the report on outsourcing practices, full account had been taken of the reports of the Joint Inspection Unit (JIU) (A/52/338, annex) and the report of the Office of Internal Oversight Services (A/52/813, annex).

3. In this connection, the Committee recalls its views on the need for the Secretariat to establish the scope and criteria for contracting out for selected technical functions. In its report A/50/7,[1] (para. 20), the Committee had stated that it trusted that future proposals for contracting out United Nations services would be developed on the basis of clear criteria, including not only the cost-effectiveness but also the need to ensure reliability and flexibility in the service to be provided. It was also essential to ensure that the special requirements of the United Nations as an international organization, including requirements of the Charter of the United Nations, were not adversely affected. In the same report (para. VIII.22), the Committee had noted that although contracting out for selected technical functions had been mentioned in paragraph 26C.3 of the proposed programme budget (A/50/6)[2] as one of the components of the new strategy for the management of the human resources of the Organization, the budget submission did not indicate the scope or criteria for contracting out in 1996–1997. The Committee had requested information to clarify the type of technical functions that would be contracted out but had not received a reply. In its report (A/52/7,[3] chap. II, part VIII, para. VIII.48) on the proposed budget for 1998–1999, the Committee reiterated that the budget submission should have included the scope or criteria for contracting out for selected technical functions.

4. The report of the Secretary-General under consideration (A/53/818) attempts, *inter alia*, to describe the purpose, set the policy and guidelines for outsourcing and define functions that could be contracted out. In paragraph 8 of the report, the Secretary-General defines outsourcing as "contracting with a third party to provide non-core activities and services (including, where applicable, related goods), which activities and services have been or could be provided by United Nations staff". The representatives of the Secretary-General informed the Committee that the list of functions which could be contracted out as set forth in paragraph 8 of the report were based on the information in the JIU report.

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5. Having considered the report of the Secretary-General and taking into account the testimony of his representatives, the Committee has concluded that the identification of each of these functions has not been based on experience within the Secretariat of the United Nations. The functions are not specific as to what should or should not be contracted out. The report has no analysis of experience within the United Nations Secretariat, and statistical data provided to the Committee was insufficient and inconclusive. The Committee was informed that in the funds and programmes of the United Nations, many of the functions listed in paragraph 8 of the Secretary-General's report could be contracted out, based on the experience of these entities. However, since the United Nations does not have this experience, more attention would be required within the United Nations Secretariat to identify the activities that could be contracted out. A decision on whether a function should be contracted out has therefore to be made on a case-by-case basis as well as a decision on whether a function can be wholly or partially contracted; the primary responsibility rests with the programme manager.

6. In paragraph 43 of the report, it is stated that as experience and confidence with outsourcing grows, outsourcing would include non-core substantive activities and services in addition to non-core support type activities and services. The Advisory Committee questions the utility of categorizing as "core" and "non-core". Such a classification has the potential for creating endless debate and disagreement within the Secretariat and among Member States as to whether, based on its classification, an activity should or should not be contracted out. Accordingly, the Committee recommends that such classification be dispensed with.

7. JIU, in recommendation 3 of its report (A/52/338, annex) had stated that the executive heads of participating organizations should prepare, for approval at the appropriate level, changes in the structure and/or operating procedures of their secretariats to facilitate and encourage the best use of outsourcing, including the possible designation of an official to serve as facilitator for this purpose. In recommendation 13 of its report A/51/804, the OIOS had recommended the establishment of a focal point with the Department of Administration and Management who would be responsible for identifying potential areas for outsourcing, providing methodological support for cost/benefit analyses, developing criteria and initiating "market testing" of selected activities to determine whether they should be performed by outside providers. In paragraph 42 of his report, the Secretary-General agrees that efforts should now be undertaken to identify such an outsourcing facilitator within the Department of Management. In paragraphs 21 and 34 of the Secretary-General's report, the role of outsourcing teams is set out. However, the Committee notes that in the comments of the Administrative Committee on Coordination (ACC) on the JIU report, it is stated that in the light of the budgetary constraints facing the organizations and competition for scarce resources, it is not considered appropriate to appoint specific outsourcing facilitators (see A/52/338/Add.1, para. 6).

8. It is not clear to the Committee, in the light of the increasing delegation of authority to offices away from Headquarters and to the field, whether it is intended to appoint one or more facilitators in each department or station. The Committee cautions against establishing additional bureaucratic layers of decision-making in the Secretariat, as does JIU in paragraph 99 of its report. Paragraph 16 of the Secretary-General's report states clearly that responsibility and accountability rest with the responsible programme manager for taking the outsourcing decision in the first place and for the ultimate quality and cost of the outsourced activity or service. Similar views are expressed in paragraph 19 of the report. The Committee is of the view that before a decision is made to appoint any facilitator it should first be ascertained whether the related functions could be carried out within existing contracting arrangements.

9. As indicated in the report of the Secretary-General, contracting out has an impact on staff services and staff of the unit concerned. For the outsourcing process to be successfully carried out, management should institute effective measures to involve the staff. This requires careful planning of outsourcing activities; there would also be a need to train or redeploy staff who have been displaced as a result of outsourcing activities. Furthermore, in order for the Organization to resort to outsourcing of functions, the cost benefit derived from outsourcing of functions should be significant and not "at least" as cost-effective as when the United Nations has been doing them on its own, as indicated in paragraph 22 of the Secretary-General's report.

10. The Committee is also of the view that there has to be transparency, through the budgetary process, with Member States in order to engender confidence and maintain sustained support for outsourcing activities. The Committee therefore disagrees with the comments of ACC that it is not appropriate for legislative organs to become involved in reviewing and approving policies in this area. The Committee sees no reason to believe that the involvement of legislative bodies would in and of itself either lead to additional cost or to micro-management. The Advisory Committee recommends that in the context of the proposed

programme budgets, the Secretariat provide appropriate information on the extent to which budgetary provisions are being requested for activities that have been or if possible would be contracted out. Similar information is currently provided, for example for maintenance, cleaning, catering and contractual translation services.

Notes

[1] *Official Records of the General Assembly, Fiftieth Session, Supplement No. 7.*

[2] Ibid., *Supplement No. 6.*

[3] Ibid., *Fifty-second Session, Supplement No. 7.*

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Financing of the United Nations Mission for the Referendum in Western Sahara

Financing of the United Nations Mission for the Referendum in Western Sahara

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General containing the performance report for the United Nations Mission for the Referendum in Western Sahara (MINURSO) for the period from 1 July 1997 to 30 June 1998 (A/53/810) and the proposed budget for the maintenance of the Mission for the 12-month period from 1 July 1999 to 30 June 2000 (A/53/820). During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General and the Chief Administrative Officer of the Mission, who provided additional information.

2. The United Nations Mission for the Referendum in Western Sahara was established by the Security Council in its resolution 690 (1991) of 29 April 1991 for an initial period of six months. Since then, its mandate has been extended by the Security Council in various resolutions, the latest being resolution 1235 (1999) of 30 April 1999, which further extended the mandate of the Mission until 14 May 1999.

3. As indicated in section V.A of the proposed budget (A/53/820), total resources made available to the Mission from its inception until 30 June 1999, will amount to $385,730,800 gross, subject to extension of the mandate by the Security Council beyond 14 May 1999. Expenditures are estimated at $354,625,800 gross. The Advisory Committee was further informed that, as of 31 December 1998, amounts totalling $347.7 million had been assessed on Member States, while payments received totalled $288.3 million, leaving a shortfall of $59.4 million. Furthermore, cash balances as of 31 December 1998 amounted to $6.5 million.

4. Voluntary contributions received from inception until 30 June 2000 are detailed in table 3 and annex III to the report of the Secretary-General (A/53/820). The Advisory Committee notes that the contribution of office accommodations provided by Mauritania, as indicated in table 3 of the report, should have been included in annex III as well. In addition, the Advisory Committee was informed that troop contributors had received payment of $3.7 million for the period from 1 September 1991 to 30 June 1997 and that an estimated amount of $1.8 million was due for the period from 1 July 1997 to 31 December 1998.

Financial performance report for the period from 1 July 1997 to 30 June 1998

5. The report of the Secretary-General (A/53/810) contains information on the financial performance of MINURSO for the period from 1 July 1997 to 30 June 1998.

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It also outlines the action to be taken by the General Assembly at its fifty-third session in connection with the financing of MINURSO.

6. In paragraph 7 and annex I to the report, it is indicated that the total resources provided to MINURSO by the General Assembly, in its resolutions 51/2 B of 13 June 1997 and 52/228 A of 31 March 1998, for the period from 1 July 1997 to 30 June 1998 amount to $47,402,100 gross ($44,419,700 net). This includes the amount of $1,122,000 for the support account for peacekeeping operations. Expenditures amount to $40,878,900 gross ($39,062,500 net), resulting in an unencumbered balance of $6,523,200 gross ($5,357,200 net) — approximately 14 per cent of the amount appropriated.

7. The Advisory Committee notes that the unencumbered balance resulted, in large part, from the delayed deployment of contingent personnel, as well as initial delays in the deployment of civilian personnel. In this connection, the Advisory Committee notes that savings of $1,037,600, out of an apportioned amount of $9,917,700, are reported under military personnel costs, and that savings of $5,168,600, out of an apportioned amount of $20,882,700, are reported under civilian personnel costs. Moreover, although related costs for international salaries and common staff costs were calculated on the basis of 50 per cent of staff on appointments of limited duration, mission appointees ranged from 75 to 80 per cent of the total, contributing to additional savings under civilian personnel costs.

8. However, these savings were partially offset by an overexpenditure of $242,300 under operational costs. In particular, under premises and accommodations, an expenditure of $430,600 over the apportioned amount of $1,128,900, was reported. In this regard, the Advisory Committee recalls that the Secretary-General, in his report of 20 February 1998 had indicated a provision of $40,000, under construction/prefabricated buildings, for the construction of two base camps (A/52/730/Add.2, annex II.C, para. 4). Although the Advisory Committee notes that savings were achieved from lower rental rates for premises in Laayoune, the non-rental of 30 apartments originally required for the identification process and lower requirements under alterations to premises, maintenance supplies and services and utilities, this was more than offset by additional requirements of $635,800 for the extensive renovation of a logistics complex in Laayoune used as residential and office accommodations for the engineering support and demining contingent personnel, thus resulting in the net additional requirement of $430,600 under premises/accommodations.

9. The Advisory Committee was informed that the Mission had expected a voluntary contribution for the engineering and demining unit that did not materialize, hence the need to renovate the complex in Laayoune. Moreover, it was also informed that the complex is currently used as a warehouse. In this connection, the Advisory Committee recalls the observation made in the report of the Office of Internal Oversight Services regarding the need to establish and enforce a clear policy regarding accommodations in MINURSO (A/53/428, para. 29).

10. It is indicated in paragraph 16 of the performance report (A/53/810) that the action to be taken by the General Assembly at its fifty-third session in connection with the financing of MINURSO is a decision on the treatment of the unencumbered balance of $6,523,200 gross ($5,357,200 net) for the period from 1 July to 30 June 1998. The Advisory Committee recommends that Member States be credited their respective shares of the unencumbered balance for the period in question in a manner to be determined by the Assembly.

Proposed budget for the period from 1 July 1999 to 30 June 2000

11. The proposed budget of MINURSO for the period from 1 July 1999 to 30 June 2000, contained in the report of the Secretary-General of 11 February 1999 (A/53/820), amounts to $49,023,000 gross ($45,071,400 net). The proposed budget contains the operational requirements of MINURSO at the maintenance level, including the identification process (see para. 20 and 21 below). As indicated in paragraph 22 of the report, the proposed requirements represent a decrease of $9,643,300 in gross terms — or 16.4 per cent — when compared to the previous 12-month period. The Advisory Committee further notes that the proposed budget takes into account the maintenance requirements at the strength authorized by the Security Council in its resolution 1133 (1997) of 20 October 1997, the recent pattern and history of expenditures in the mission area, as well as the repatriation, during the 1998/99 financial period, of the military engineering support and demining units and related reductions. The resulting decrease, when compared to the 1998/99 budget, is mostly due to the reduction in the estimates for military personnel, which decrease in number from 193 to 27 with the repatriation in the 1998/99 period of the engineering support unit, and related operational costs, as well the reduction in the estimates for civilian personnel costs, reflecting a reduction of 15 international and local posts.

12. Military personnel costs therefore decrease by $5,879,000, or 43.6 per cent, over the budget for the 1998/99

period, while civilian personnel costs decrease by $1,157,700, or 4.3 per cent. The budget provides for the maintenance of 203 military observers, 27 military contingent personnel, 81 civilian police, 280 international staff, 95 local staff and 10 observers of the Organization of African Unity (OAU).

13. The Advisory Committee notes from the report of the Secretary-General that the three factors affecting staff costs are: a proposed reduction of civilian staffing by 5 international and 10 local posts, a proposed vacancy factor of 15 and 10 per cent for international and local posts, respectively, and a downward adjustment for international civilian staff salaries and related costs in respect of mission appointees, on the basis of such personnel representing 65 per cent of the total.

14. The Advisory Committee was provided, upon inquiry, with the following average vacancy rates for the period from 1 July 1998 to 31 January 1999: 2.5 per cent for military observers, 27.4 per cent for military contingents, 20.1 per cent for civilian police, 21.4 per cent for international staff, 7.5 per cent for local staff and 20 per cent for OAU observers.

15. The Advisory Committee was informed that in view of the continuing operational requirements of the Mission with regard to engineering and logistical support of its activities, in particular the maintenance of the three mission-owned base camps and the logistics complex in Laayoune, it was considered necessary to retain the Engineering and Logistics Sections in the organizational structure of the Mission, headed by Professional staff at the P-4 and P-3 levels, respectively.

16. Operational costs show a reduction of $2,327,600, or 16.8 per cent as compared with the budget for the 1998/99 period. The Secretary-General's estimate under air operations provides for an amount of $6,959,300 — a decrease of $1,103,300 when compared to the estimate for the current 1998/99 budget period. This decrease is mostly due to the reduction in the number of helicopters from four to three after repatriation of the engineering support unit, and a 44.5 per cent decrease in the average cost of related aviation fuel; this is partly offset by a 23.7 per cent increase in requirements for hire/charter costs owing to the signing of a new contract in January 1999. The reduction also includes lower costs under fixed-wing aircraft attributable to reduced requirements for aviation fuel for the two aircraft utilized in support of the Mission's operational requirements and the third to be deployed in connection with the identification process.

17. The requirements under transport operations, estimated at $1,756,700, reflect a decrease of $525,100, or 30 per cent, when compared to the 1998/99 period. The provision provides for a fleet of 244 vehicles and includes the replacement of 62 vehicles at $914,500 that have met the necessary criteria for write-off.

18. In paragraphs 11 to 14 of the report of the Secretary-General of 28 January 1999 to the Security Council (S/1999/88), and paragraphs 16 to 18 of his report of 27 April 1999 (S/1999/483), it is indicated that the Office of the United Nations High Commissioner for Refugees (UNHCR) continues, in close coordination with MINURSO, its preparatory work for the repatriation of Saharan refugees, as provided for under the United Nations Settlement Plan. The Advisory Committee was informed that MINURSO would be reimbursed should it provide support to UNHCR in this regard.

19. The action to be taken by the General Assembly at its fifty-third session in connection with the financing of MINURSO is outlined in paragraph 27 of the proposed budget (A/53/820). The Secretary-General recommends that the Assembly appropriate the amount of $49,023,000 gross ($45,071,400 net), for the period from 1 July 1999 to 30 June 2000. Furthermore, the Secretary-General recommends that this amount be assessed at the monthly rate of $4,085,250 gross ($3,755,950 net), subject to the extension of the mandate of MINURSO by the Security Council beyond 30 June 1999.

20. The Advisory Committee points out, as stated in paragraph 2 above, that the Security Council, in its most recent resolution (resolution 1235 (1999)), decided to extend the mandate of MINURSO until 14 May 1999. Furthermore, in his most recent report to the Security Council (S/1999/483), the Secretary-General indicated that, under a revised outline calendar for the referendum process, the identification process would resume on 1 June 1999 and be completed in November 1999, and the appeals process would begin on 1 July 1999 and be completed by February 2000, with a view to holding the referendum in July 2000 (S/1999/483, para. 6). It is also indicated in that report that from July 1999 onward the Mission would increase the number of Identification Commission members from 25 to 30. Additional administrative and support personnel would be deployed, and an increase in its aviation assets and logistics support equipment would be required to facilitate the simultaneous conduct of both processes. The Mission would also need additional premises in support of the Identifications Commission's training of new staff in Laayoune (ibid., paras. 7 and 8).

21. As indicated by the Secretary-General in the same report (ibid., para. 19), and as has been confirmed by representatives of the Secretary-General to the Advisory Committee, the financial requirements, at maintenance level, related to the extension of the mandate of MINURSO beyond 14 May 1999, should the Security Council decide to extend the mandate of the Mission, as recommended by the Secretary-General, would be covered by the additional funds appropriated by the General Assembly in its resolution 53/18 of 2 November 1998 for the period from 1 July 1998 to 30 June 1999 ($37.3 million, equivalent to $4.7 million per month), and by the resources proposed by the Secretary-General for the 12-month period from 1 July 1999 to 30 June 2000 in the report under consideration (A/53/820), if provided by the Assembly. Moreover, as indicated by the Secretary-General, should the implementation of the revised timetable for the referendum process require additional resources, the Secretary-General would seek additional appropriation from the Assembly.

22. In view of the above, and the comments of the Secretary-General in paragraph 25 of his most recent report to the Security Council (S/1999/483) with regard to the many assumptions upon which the timely implementation of the calendar is predicated, the Advisory Committee concurs with the requests of the Secretary-General and recommends that the General Assembly appropriate, at this time, the amount of $49,023,000 gross ($45,071,400 net) for the 12-month period from 1 July 1999 to 30 June 2000, as mentioned in paragraph 19 above, subject to the extension by the Security Council of the mandate of the Mission beyond 14 May 1999.

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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations: financing of the United Nations peacekeeping operations

Report on the implementation of the reformed procedures for determining reimbursement to Member States for contingent-owned equipment

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the Secretary-General's report of 7 October 1998 on the first full year of implementation of the reformed procedures for determining reimbursement to Member States for contingent-owned equipment (A/53/465), as well as the report of the Phase IV Working Group on Reimbursement of Contingent-owned Equipment (A/C.5/52/39). During its consideration of the reports, the Committee met with representatives of the Secretary-General, who provided additional information.

2. Both reports were submitted pursuant to General Assembly resolutions 50/222 of 11 April 1996 and 51/218 E of 17 June 1997. In paragraphs 1 to 13 of his report, the Secretary-General provided background on the developments leading to its preparation.

3. In this connection, the Advisory Committee recalls that, in its resolution A/50/222, the General Assembly, while deciding to review the operation of the reformed procedures for determining reimbursement to Member States for contingent-owned equipment, had also decided that the review and the report it had requested the Secretary-General to submit should pertain to all elements of the reformed procedures, in particular to those elements of the recommendations of the Working Groups that were not specifically endorsed by the Secretary-General in his report (A/50/807), and requested the Secretary-General, in this regard, to include in the above-mentioned report comparative data on the differences between the adopted system and other proposals contained in the reports of the Secretary-General (A/50/807) and the Advisory Committee (A/50/887).

4. In its resolution A/51/218 E, the General Assembly, *inter alia*, requested the Secretary-General to convene the Phase IV Working Group prior to submitting his report on the first full year of implementation of the reformed procedures. In this connection, the Advisory Committee notes the recommendation of the Special Committee on Peacekeeping Operations contained in its report of 21 May 1998 (A/53/127, para. 76) and recalls that the General Assembly, in paragraph 2 of its resolution 53/58 of 3 December 1998, endorsed the proposals, rules and conclusions of the Special Committee contained in paragraphs 44 to 115 of its report.

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5. At its request, the Advisory Committee was provided with the attached table outlining the recommendations of the Working Group as well as those of the Secretary-General. The Committee recommends that, in order to avoid confusion and prevent misapplication of decisions of the General Assembly, the new contingent-owned equipment arrangements, as approved by the General Assembly, should be annexed to the relevant resolution of the General Assembly.

6. The Advisory Committee, in its observations, comments and recommendations in the paragraphs below, has paid particular attention to those elements on which the Secretary-General and the Working Group differ.

Legally binding aspects of the Memorandum of Understanding (Working Group report, para. 65)

7. With regard to this question, as discussed in the Secretary-General's report (A/53/465, para.15), the Advisory Committee agrees that the final form, including the title used for the document that is negotiated between the United Nations and a troop-contributing country, may vary from the model Memorandum of Understanding to be approved by the General Assembly; however, substantive provisions, as contained in General Assembly resolutions 50/222, 51/218 E and its subsequent relevant resolutions, should remain consistent for all Member States.

Levels of reimbursement for loss or damage in cases of hostile action or forced abandonment (Working Group report, para. 66)

8. The question of levels of reimbursement has been discussed in paragraphs 16, 17, 52 (a) and 53 (d) of the Secretary-General's report. The Advisory Committee's views on the subject have been expressed in paragraphs 12 and 13 of its report (A/50/887) and paragraphs 8 to 10 of its report (A/52/410). The Committee also draws attention to chapter 2, paragraphs 16 to 22, of the Manual on Policies and Procedures concerning Reimbursement and Control of Contingent-owned Equipment of Troop-Contributing Countries Participating in Peacekeeping Missions (the COE Manual).

9. Following current practice in cases of loss or damage resulting from a single hostile action or forced abandonment, the United Nations will assume liability for each and every item of major equipment when the collective generic fair market value equals or exceeds the threshold value of $250,000. The Advisory Committee recalls, as indicated in paragraphs 12 and 13 of its report (A/50/887), that, while the Secretary-General had agreed with the Phase II and III Working Groups to reimbursement for major equipment at or above the generic fair market value of $250,000, he had not agreed to reimbursement of items valued below $250,000 or when collectively the value of those items rose above $250,000. Also in paragraph 13 of A/50/887, the Committee had outlined its views on how to proceed in this regard. The General Assembly, in its resolution 50/222, endorsed the Committee's views as expressed in its report (A/50/887); the Committee had recommended that consideration should be given to the recognition of potential risk of aggregate loss for equipment whose individual value was less than $250,000 by including in the lease rates an additional factor to compensate Member States for potential loss or damage as a result of hostile action or forced abandonment. Accordingly, loss or damage of minor equipment including spare parts due to hostile action or forced abandonment is not separately reimbursed but is included in mission factors. In this connection, the Committee was informed that a mission factor for hostile action/forced abandonment was subsequently established not to exceed 5 per cent of the reimbursement rates of self-sustainment and the spare element (or) of the maintenance rate of the wet lease rate. The application of this factor is determined by the technical survey team at the initiation of a mission.

10. In paragraph 10 of its report (A/52/410), the Advisory Committee stated that it had been informed that annex B, section 6, Loss or damage, paragraph 18, of the contribution agreement would read as follows: "In cases of loss or damage resulting from a single hostile action or forced abandonment, the United Nations will assume liability for each and every item of major equipment when the collective generic fair market value equals or exceeds the threshold value of $250,000". The Advisory Committee was informed that although the model contribution agreement has yet to be approved by the General Assembly, it is being used by the Secretariat.

11. The Secretary-General, in both his current report (A/53/465) and in his presentation to the Phase IV Working Group, proposes a general financial limit on the liability of the United Nations for loss or damage due to hostile action or forced abandonment, (para. 52 (a)) and a method of calculating the amounts to be reimbursed (para. 53 (d)). The Working Group has not recommended a financial limit as indicated in paragraph 66 (b) of its report (A/C.5/52/39). The Working Group recommended that in view of the possibility of large claims, the Secretariat should recommend appropriate measures for handling such claims.

12. The Advisory Committee believes that the procedure to be approved by the General Assembly should be fair to

the troop-contributing countries, but should also provide a practical mechanism by which the United Nations can handle potentially high claims. The Committee points out that, under the new contingent-owned equipment arrangements, all equipment brought to a mission by a troop-contributing country has to have the prior approval of the United Nations. The Committee stresses the need to have the Memorandum of Understanding finalized and signed before the deployment of the contingents and the contingent-owned equipment. The new arrangements call for separate negotiation with troop-contributing countries concerning special equipment. Furthermore, the Committee notes that aircraft and shipping vessels are not included in the contribution agreement and are the subject of separate negotiation between the United Nations and the troop-contributing country concerned.

13. The Advisory Committee notes, however, that, so far, experience by the United Nations in this regard has been limited. Amounts for recent claims range between $500,000 and $15 million, as indicated in annex II to the Secretary-General's report. The Committee notes that six claims totalling $50 million have been submitted in respect of the United Nations Protection Force and the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (A/53/465, para. 47 (c) (ii)).

14. Taking into account the limited experience in processing large claims by the United Nations, and the fact that no budgetary provision is made for contingent liabilities owing to their unpredictability, the Committee is of the opinion that, at this stage, a case has not been made to set a financial limit for loss or damage in cases of hostile action or forced abandonment. The Committee notes that the Secretariat has not formally indicated how such limitations might be set. In this connection, the Committee recommends that the Secretariat should submit proposals to the General Assembly on the handling of large claims. Such proposals should include self or commercial insurance.

15. With respect to the method of calculating amounts to be reimbursed, the Committee agrees with the proposal of the Secretary-General that reimbursement for an item of equipment would be the lesser of the generic fair market value or the residual value of the equipment lost (A/53/465, para. 53 (d)).

United Nations responsibility for loss or damage during transportation (Working Group report, para. 68)

16. This issue has been discussed in paragraphs 19, 20 and 52 (b) of the Secretary-General's report. The Advisory Committee agrees with the course of action proposed by the Secretary-General for implementing the recommendations of the Working Group, and suggests that commercial alternatives be included in the review. The Committee recommends that the results of the review to be carried out in this regard be submitted to the fifty-fourth session of the General Assembly.

Universality of missions factors (Working Group report, para. 69)

17. The Advisory Committee notes from paragraph 21 of the Secretary-General's report that mission factors are established by the Secretariat prior to the start of a mission in order to secure provisions in the budget and establish credible budget estimates. The Committee is of the view that the quality and timeliness of the mission factors and their reliability depend on the expertise employed by the technical survey as well as the time-lapse between the period of the survey and the start of the mission operation. The Committee was informed that changes could be made to the factors at any time at the request of a troop-contributing country even before the three-month period recommended by the Working Group. The Committee was further informed that during 1998 the Secretariat had conducted such a review at the request of a troop-contributing country, before the third month of the mission. The Committee agrees with the position of the Secretariat that, should conditions in the mission area change, the current procedure allows for a review of mission factors even before three months have elapsed.

Establishing dates for applying procedures in current missions (Working Group report, para. 72)

18. The Advisory Committee notes the Working Group's recommendation and the Secretariat's concurrence that a plan be submitted with a cut-off date by which all missions should be operating under the new system. The Committee requests that the Secretary-General expedite preparation of such a plan.

Retroactive implementation (Working Group report, para. 73)

19. With regard to retroactive implementation of the contingent-owned equipment arrangements, as indicated in paragraphs 26 to 28 of the Secretary-General's report, the Advisory Committee agrees with the view of the Working Group that the new procedures are superior to the old in that when fully implemented they will considerably facilitate the handling of claims and payments. However, as pointed out

by the Committee in its report on United Nations peacekeeping operations (A/53/940) and highlighted in the report of the Board of Auditors to the General Assembly on the accounts of the United Nations peacekeeping operations for the financial period ending 30 June 1998 (A/53/5, vol. II), there are certain problems concerning the retroactive application of the new arrangements, although these problems are mainly transitional. The Committee does not believe that any useful purpose would be served by conducting a costly comparative study of the financial implications of the new and the old system for reimbursement of contingent-owned equipment. As indicated in the Secretary-General's report the study can only be completed when all relevant claims have been processed for liquidated or liquidating missions (A/53/465, para. 27). In the opinion of the Committee, this exercise would be largely historical and would not affect what Member States would have negotiated with the United Nations, either based on the old or the retroactive application of the new procedures. The Committee therefore sees little merit in undertaking the study. However, in reports on the liquidation of peacekeeping operations, sufficient data should be made available so as to allow a determination of the impact of the retroactive application of the new contingent-owned equipment arrangements.

Review of major equipment standards (Working Group report, para. 76)

20. The discussion on rates of reimbursement, performance standards and review dates has been reflected in paragraphs 31, 46 and 53 (e) of the Secretary-General's report. The review cycle was indicated in the annex to General Assembly resolution 49/233 A of 23 December 1994.

21. The Advisory Committee notes that, for reasons given in paragraph 92 of the Working Group's report, a change of the review date has been recommended. As indicated in paragraph 45 of his report, the Secretary-General had proposed that the Phase IV Working Group conduct a rate review. The Committee was informed that rate review could not be conducted as originally scheduled.

22. In view of the delay in the consideration of the report of the Working Group and the late submission of the Secretary-General's report, the Advisory Committee was informed by the representatives of the Secretary-General that the date specified in the report of the Working Group, that is 2001, would be acceptable. On enquiry, the Committee was informed by the representatives of the Secretary-General that, with the review date as proposed, the results of the review of performance standards and rates of reimbursement could be available for inclusion in the budget estimates for the year commencing 1 July 2002. However, during discussions with the Committee, the Secretariat advanced the possibility of conducting the review in the spring of 2000. The Committee concurs with this approach and trusts that the results will be reflected in the budgets of peacekeeping operations for the period from 2001 to 2002.

Office supplies (Working Group report, para. 81)

23. While the Advisory Committee endorses the views of the Working Group on revised performance standards, the Committee agrees with the Secretary-General's view, as indicated in paragraph 37 of his report, that, during the next rate review, discussion take place on the issue of reimbursement of office supplies for the entire contingent or for only those troops in administrative posts, as well as the basis for the rate.

Laundry and cleaning (Working Group report, para. 83)

24. The Advisory Committee was informed that, as currently implemented, the rate for laundry and cleaning does not include dry cleaning of operationally required special clothing, hair cutting, tailoring and cobbling; the Working Group agreed to the inclusion of dry cleaning of special clothing in the current rate but not to the inclusion of hair cutting, tailoring and cobbling as recommended by the Secretariat. The Committee notes the view of the Secretariat as indicated in paragraph 39 of the Secretary-General's report.

Tentage and accommodation (Working Group report, para. 84)

25. This issue has been referred to in paragraphs 40 and 53 (a) of the Secretary-General's report. Paragraph 84 of the Working Group's report refers to chapter 3, annex B, paragraph 20, of the COE Manual, which provides that "when the United Nations is unable to provide permanent, semi-rigid, or rigid accommodation for a Contingent after six months in tents, the Contingent will be entitled to receive reimbursement at both the tentage and accommodation self-sustainment rates. This combined rate will continue until personnel are housed to the standard specified under the accommodation rate". The tentage rate is $20 and the accommodation rate is $36. The amount of $36 has also been indicated in the report of the Phase III Working Group

(A/C.5/49/70, appendix II, B), and in the revised model Contribution Agreement (A/51/967 and Corr.1 and 2, annex C).

26. During discussions with the representatives of the Secretary-General, the Committee was informed that the intention of the dual payment was to provide additional funding for the contingent to allow them to build or rent accommodations locally. This rationale is not expressed in any of the published documents and there is no mention of a discomfort factor in any of the background papers. At the present time, the dual payment has not been made to any troop-contributing country. The Committee was informed, however, that there is one case where a troop-contributing country is contesting the issue. The Committee was informed that, with respect to prospective implementation, the notification mentioned in chapter 3, annex B, paragraph 19 of the COE Manual could be dealt with at the time of the negotiation of the Memorandum of Understanding. If the United Nations is not in a position to provide hard wall accommodations at the six-month period, the troop-contributing country should be informed by the Secretariat at the time of the negotiation of the Memorandum of Understanding and the accommodation rate of $36 could be proposed for inclusion in the Memorandum of Understanding.

27. The Advisory Committee notes that in paragraph 85 of its report the Working Group recommended that a mechanism be developed and be made available whereby the Secretariat may request a temporary waiver of the application of this dual payment principle for those short-duration missions where the provision of hard accommodation is demonstrably and clearly impractical and not cost-effective. This gives the impression that the Working Group does recognize that there may be justifiable reasons for the inability of the United Nations to provide the accommodation. The Advisory Committee believes that if the troops are incurring higher accommodation costs after six months in tents or elsewhere, then they should be reimbursed for their actual expenses up to $56, but in no case lower than $36. Should the General Assembly agree with this recommendation, the model Contribution Agreement would need to be amended.

Liability of the United Nations under the lease system

28. This issue has been outlined in paragraphs 47 (b) and 53 (c) of the Secretary-General's report. The issue was also dealt with in paragraph 11 of the Advisory Committee's report (A/50/887). The Secretariat is of the opinion that the insurance factor included in the rates covers these losses and if the cost for these no-fault incidents reverted to the United Nations, it would constitute a double payment. More importantly, the Secretariat cannot make timely payments if the Member States have not provided the funds. The Committee therefore agrees with the position of the Secretary-General, as expressed in paragraph 53 (c) of his report.

Revised COE Manual

29. The Advisory Committee notes that the Phase V Working Group is going to conduct a review of the reimbursement rates in 2001. In paragraph 93 of the Working Group report and paragraph 45 (a) of the Secretary-General's report, it is envisaged that a revised COE Manual should be completed not later than mid-1999. On enquiry, the Committee was informed by the representatives of the Secretary-General that, given the fact that recommendations of the Phase IV Working Group will not be approved by the General Assembly until mid-1999, a practical date for the completion of a revised contingent-owned equipment Manual would be mid-2000. The current version of the Manual would have to be updated prior to meetings of the Phase V Working Group. In the opinion of the Committee, it would seem more practical to wait for the completion of the work of the Phase V Working Group before issuing an updated Manual.

30. Taking into account paragraph 1 of resolution 51/218 E, the Advisory Committee recommends that, after the General Assembly has considered the reports of the Working Group (A/C.5/52/39), the Secretary-General (A/53/465) and the Committee (A/53/944), and taken action, a revised model contribution agreement/memorandum of understanding should be prepared.

Expertise in the review and assessment of the generic fair market value of equipment

31. The Advisory Committee, in its report on United Nations peacekeeping operations (A/53/940), has recommended that the United Nations supplement, as appropriate, its own in-house expertise with the assistance of independent outside expertise in the review and assessment of the generic fair market value of equipment. The Committee recommends that the review be undertaken in 2000 for the results to be reflected in the peacekeeping budgets for the period from 1 July 2001 to 30 June 2002.

Other matters

32. The Advisory Committee draws attention to paragraph 47 of its report A/53/895, in which the Committee had stressed the importance of including in the relevant memoranda of understanding, clear information on the obligations of the Secretariat and Member States, including the five-year period for submission of claims.

33. The Committee also requests that future peacekeeping budgets should include complete information on reimbursement arrangements for troop-contributing countries and that performance reports should provide data on actual amounts paid or to be paid as compared with initial estimates.

Annex

Report of the first full year of implementation of the reformed procedures for determining reimbursement to Member States for contingent-owned equipment

Issue	*Phase IV Working Group's recommendations (A/C.5/52/39)*	*Secretariat recommendations (A/53/465)*
1. Legally binding aspects of the Memorandum of Understanding.	The final form of the Memorandum of Understanding could vary as long as the legally binding aspects of the agreement remain, e.g., letter of understanding or contribution agreement rather than Memorandum of Understanding.	Recommends approval.
2. Dispute resolution.	Formalizes procedures by which the Secretariat's representatives would be contacted in the event of disagreements between troop-contributing countries and the United Nations regarding contingent-owned equipment matters.	Recommends approval.
3. Period of reimbursement.	Reduce the rate for major equipment and self-sustainment during the drawdown period. The revised rate would be 50 per cent of the monthly lease and self-sustainment rates being reimbursed prior to the drawdown.	Recommends approval.
4. Contingent-owned equipment manual.	The review and a revision of the contingent-owned equipment manual to be completed no later than mid-1999.	Recommended approval, however, the delay in the review process and approval of the report of the Secretary-General (A/53/465) and Phase IV Working Group recommendations makes a date of mid-2000 more realistic.
5. United Nations standards of logistic support.	The recommendation of the Working Group to establish standards for logistics support was an issue that had been previously reviewed by the Secretariat, and a programme was already under way within the Field Administration and Logistics Division to establish standards of support for goods and services provided by the United Nations.	Recommends approval.

Issue	*Phase IV Working Group's recommendations (A/C.5/52/39)*	*Secretariat recommendations (A/53/465)*
6. Reimbursement rate for late return of equipment from the mission area.	Troop-contributing countries will be reimbursed at the dry-lease rate for excessive delays (more than 14 days) in the repatriation of its contingent-owned equipment caused by the United Nations.	Recommends approval.
7. Major equipment usage.	A contingent using major equipment, such as a mobile kitchen trailer, will receive only self-sustainment reimbursement for catering. Reimbursement for the equipment would constitute a double payment.	Recommends approval.
8. Relationship between a soldier's kit and self-sustainment.	A standardized mission-specific personal equipment listing be approved prior to deployment to a mission.	Recommends approval.
9. Communications.	Recommending revised performance standards for self-sustainment reimbursement for communications.	Recommends approval.
10. Catering and electrical self-sustainment categories.	Clarified the reimbursement procedures for contingents required to provide support to an observation post or sub-unit away from the base camp.	Recommends approval.
11. Establishing dates for applying procedures in current missions.	A plan be submitted with a cut-off date by which all missions should be operational under the new system. The plan was to be submitted for consideration and approval of the General Assembly by the end of 1998.	Recommends approval in principle. The Secretariat continues working to prepare a plan for transition to the new system. The submission of the plan is dependent upon an overall assessment of the military requirements, which is currently being conducted in coordination with the military advisers and force commanders. The implementation of the revised procedures in missions will have to be accomplished in phases to take into account the useful life of some existing equipment for which countries have been fully reimbursed under the old procedures.

Issue	*Phase IV Working Group's recommendations (A/C.5/52/39)*	*Secretariat recommendations (A/53/465)*
12. Retroactive implementation.	The Secretariat addressed the issue of the cost of the retroactive implementation. The Working Group recommended no change to be made in the current practice of applying the new procedures retroactively. They further recommended the Secretariat prepare a detailed report on the financial implications of retroactive application and present it to the General Assembly.	An accurate evaluation of the cost of the retroactive implementation of the new procedures can only be completed when all relevant claims have been processed for liquidated missions.
13. Office Supplies, explosive ordnance disposal, identification, medical support, laundry and cleaning, field defence stores, and nuclear, bacteriological and chemical agents.	These issues were discussed with a recommendation that they be further reviewed at the Phase V Working Group review of rates and performance standards.	Recommends approval.

Issues requiring additional discussion and decision

Issue	*Phase IV Working Group's recommendations (A/C.5/52/39)*	*Secretariat recommendations (A/53/465)*
14. Financial limitation for claims resulting from losses of contingent-owned equipment due to hostile action or forced abandonment.	No upper limits should be placed on justified claims. The Secretariat should recommend appropriate measures for handling such claims.	The General Assembly may wish to consider a financial limitation on contingent-owned equipment claims resulting from losses due to hostile action or forced abandonment.
15. United Nations responsibility regarding loss of or damage to equipment during transportation exceeds 10 per cent of the generic fair market of the item of equipment.	The loss or damage issue be clarified and implemented by the Secretariat to ensure troop-contributing country is reimbursed when significant damage (10 per cent or more of the generic fair market value of individual items of equipment) occurs during transportation.	A study on the practicality and administrative costs of this recommendation prior to implementation. In most cases, damage should be covered by shippers' insurance
16. Universality of mission factors — requirement for review of mission factors in the third month of the mission.	A review of mission factors should be conducted in the third month following the establishment of the mission.	Review in the third month is not necessary. Chief administrative officer currently has ability to request a review when significant changes occur.

Issue	*Phase IV Working Group's recommendations (A/C.5/52/39)*	*Secretariat recommendations (A/53/465)*
17. Dual payments for accommodation and tentage.	Current provision for $56 dual payment ($20 tentage and $36 accommodation) be continued if troops are not provided hard wall accommodations after six months in mission. Secretariat can request waiver for short duration missions where conditions are clearly impracticable and not cost effective.	Recommends that only the accommodation rate of $36 per man/month be paid if suitable accommodations are not provided after the six month period.
18. Additional United Nations financial responsibilities to cover "no-fault" losses in the event the United Nations is not meeting its full liability under the leasing system.	This issue was not addressed by the Phase IV Working Group as indicated in para. 31 of A/50/807. The previous Working Groups proposed that, in the event of the United Nations not meeting its full liability under the leasing system, total responsibility for loss or damage for "no-fault" incidents would revert to the Organization.	The Secretariat suggests that the General Assembly review its decision as it constitutes a double payment in that an insurance factor was included in the rates to cover "no-fault" incidents.
19. Basis of reimbursement for equipment lost or damaged as a result of hostile action or forced abandonment.	The Working Group recommended the continuation of the current policy which tacitly approves the generic fair market value (less applicable dry lease payments) as the basis for the reimbursement calculation.	The Secretariat believes that the basis for the reimbursement should be the lesser of the generic fair market value (less applicable dry lease payments) or residual value.
20. Review of major equipment standards — proposed date for Phase V Working Group review.	The Working Group recommended the Secretariat convene the Phase V Working Group in 2001 to review and validate reimbursement rates, procedures and standards.	The Secretariat initially recommended the Phase V Working Group be convened in 1999. However, owing to the delays in the review of the report of the Secretary-General (A/53/465) and approval of the Phase IV Working Group recommendations, the Secretariat now concurs with the recommendations for a Phase V conference and rate review in 2001. The reduced staff assigned to work on contingent-owned equipment is currently concentrating on backlog claims and will require additional time to prepare for the conference.

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Programme budget for the biennium 1998–1999

Development Account: modalities for operating the Account

Report of the Secretary-General

Summary

The present report has been prepared at the request of the Fifth Committee to assist consideration of the sustainability, mechanism and modalities of the Development Account during the resumed fifty-third session. The Committee requested clarification of issues concerning the operation of the Development Account. The report explains how the Development Account could work in practice.

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I. Introduction

1. The present report provides an elaboration of the mechanism for the use of the Development Account through the redeployment of resources released due to productivity gains to projects in the economic and social sector. It has been prepared at the request of the Fifth Committee to assist consideration of the sustainability, mechanism and modalities of the Development Account.

II. Summary

2. The modalities outlined below are based on the premise that the General Assembly would create a special account for supplementary development activities that would be of a multi-year nature, to which amounts appropriated under the Development Account budget section would be transferred. The special account would allow for projects to be handled on a multi-year basis while the regular budget section appropriation could continue to be handled in a biennial framework. Through the existing budgetary process and within existing rules and regulations, the General Assembly would approve transfers from the Development Account budget section to the special account. The General Assembly would also approve projects to be funded from the special account that are consistent with the objectives of the medium-term plan and complementary to existing programmes.

3. There would be three distinct elements to the modalities: (a) the identification and transfer of resources released due to productivity gains to the Development Account budget section; (b) the operation of the Development Account budget section; and (c) the operation of the special account itself. The process for each element is outlined in sections III–IV below. It should be noted that at all stages of the process, no action would be taken without the full approval of the intergovernmental bodies. In addition, no amendments to existing rules and regulations would be necessary.

III. Transfer to the Development Account budget section of resources released arising from productivity gains

4. Recommendations for transfers of gains achieved in any biennium to the Development Account budget section would be contained in the second performance report, i.e., in the second year of the biennium. The Secretary-General would only include gains that have been verified and are sustainable, and that do not have any adverse impact on mandated work programmes.

5. As part of consideration of the second performance report, proposals for transfers of gains considered sustainable would be reviewed by the General Assembly.

6. Upon approval, the necessary section transfers would be reflected in the final appropriations for the biennium concerned.

IV. Operation of the Development Account budget section

7. There would be two points during the course of a biennium at which transfers would be made from the regular budget section to the special account. The first would occur after the initial appropriation of the programme budget, which would contain funds in the Development Account budget section as approved by the General Assembly for the purposes of supplementary development activities. In January of the first year of the biennium, these funds would be transferred to the special account.

8. The second point would occur at the transfer of resources approved by the General Assembly after consideration of the second performance report. At this time, additional charges to the Development Account budget section would be made as transfers to the multi-year special account.

V. Operation of the special account for supplementary development activities

Multi-year account

9. A key element in these arrangements would be the special account for supplementary development activities established by the General Assembly. As a multi-year account, resources resulting from productivity gains identified and approved for transfer after consideration of the second performance report would not need any special measures by the General Assembly to enable preservation of the funds for expenditure in future years.

Modalities of the special account

10. During the second year of a biennium, the Secretary-General would prepare proposals for the subsequent biennium for projects to be funded from the special account. Proposed timetables for consideration of these proposals are contained in annex Ia for the biennium 2000–2001 and annex Ib for the biennium 2002–2003.

11. The proposals would consist of projects that address objectives already existing within the overall context of the medium-term plan and that augment existing work programmes. The proposals would be coordinated by the Department of Economic and Social Affairs. The total budget of the proposals would comprise the maximum amount that the Secretary-General considers may be available in the special account for that biennium. An example format for the proposals that conforms to existing budgetary practice is contained in annex II.

12. These proposals would be submitted to the Committee for Programme and Coordination (CPC) to consider programmatic aspects and to the Advisory Committee for Administrative and Budgetary Questions (ACABQ) to consider budgetary aspects and for each body to make appropriate recommendations to the General Assembly.

13. Towards the end of the biennium, the recommendations from CPC and ACABQ would be considered by the Fifth Committee. The total amount available in the special account would be identifiable in the light of the transfers that the General Assembly has approved to the Development Account as a result of its deliberations on the second performance report. The General Assembly would then approve the projects to be funded from the special account.

14. Annual reports describing the activities carried out, expenditure, and other information required by the General Assembly would be provided in a similar fashion to other accounts of a multi-year nature, such as the Integrated Management Information Systems and the construction funds. These reports would be submitted to the General Assembly through ACABQ and the Fifth Committee for their consideration and recommendations, thus ensuring full transparency in the use of the funds.

VI. Recommendations

15. The General Assembly may wish to consider taking the following steps:

(a) Approve the creation of a special account for supplementary development activities, specifying that it is of a multi-year nature;

(b) Approve the procedures outlined above for the transfer to the Development Account budget section of resources released arising from productivity gains; the operation of the Development Account budget section; and the operation of the special account for supplementary development activities.

Annex Ia

Proposed timetable showing major steps for approving expenditure from the special account for supplementary development

2000–2001 budget: $13.065 million

Date	*Major steps*
May/August	Secretary-General prepares proposals for expenditure from special account for supplementary development activities for biennium 2000–2001; in view of time constraints, it is recommended that a summary of proposals be prepared for consideration by CPC, followed by fully detailed proposals for consideration by ACABQ, Fifth Committee and General Assembly
June/July 1999	CPC considers Secretary-General's proposals, and prepares report and recommendations on programmatic issues for consideration by General Assembly
September/November 1999	ACABQ considers Secretary-General's proposals and makes recommendations on financial aspects to General Assembly
November/December	General Assembly (Fifth Committee) considers CPC report and ACABQ recommendations on project proposals
December 1999	General Assembly approves programme budget 2000–2001 and development projects from special account
January 2000	OPPBA issues allotment from special account for projects approved by General Assembly
May 2001	Annual report on first year of operation of special account submitted for consideration by ACABQ and then General Assembly
May 2002	Annual report on second year (2001) of operation of special account submitted for consideration by ACABQ and then General Assembly

Annex Ib

Proposed timetable showing major steps for approving expenditure from the special account for supplementary development activities

Projection for 2002–2003: initial estimate $40 million

Date	*Major steps*
May/June 2001	Secretary-General prepares proposals for expenditure from special account for supplementary development activities for biennium 2002–2003
June/July 2001	CPC considers Secretary-General's proposals, and prepares report and recommendations on programmatic issues for consideration by General Assembly
September/November 2001	ACABQ considers Secretary-General's proposals and makes recommendations for consideration by General Assembly
December 2001	Productivity gains for 2000–2001 reported in second performance report for 2000–2001
December 2001	ACABQ reviews second performance report for 2000–2001, and makes recommendations regarding transfer of productivity gains for 2000–2001 to Development Account budget section
November/December 2001	General Assembly (Fifth Committee) considers CPC report and ACABQ recommendation on project proposals, in the light of productivity gains recommended for transfer to Development Account and total funds available in special account for biennium 2002–2003
December 2001	General Assembly approves redeployment of 2000–2001 gains that it agrees with to Development Account; funds are then "expended" by being transferred to special account
December 2001	General Assembly approves programme budget 2002–2003 and development activities from special account
January 2002	OPPBA issues allotment from special account for projects approved by General Assembly
May 2003	Annual report on third year (2002) of operation of special account submitted for consideration by ACABQ and then General Assembly
May 2004	Annual report on fourth year (2003) of operation of special account submitted for consideration by ACABQ and then General Assembly

Annex II

Example of presentation format for consideration of projects to be funded from the special account for supplementary development activities [a]

Summary of requirements

(Thousands of United States dollars)

Project	*1998/1999 estimate*	*Implementing departments/offices*
A. Promotion of electronic commerce	1 980.0	UNCTAD
B. Capacity-building in economic and social policy analysis in Africa through the networking of expertise	2 500.0	ECA
D. Computer and telecommunication system for international and national drug control	1 100.0	UNDCP
E. Capacity-building and networking for the implementation of the Habitat Agenda in least developed countries	945.0	Habitat
F. On-line network of regional institutions for capacity-building in public administration and finance	1 525.0	Department of Economic and Social Affairs
G. Research network for economic policy analysis	1 325.0	Department of Economic and Social Affairs
H. Activities for the implementation of Agenda 21, the Copenhagen Declaration and Programme of Action of the World Summit for Social Development, and the Beijing Declaration and Platform of Action	3 570.0	Department of Economic and Social Affairs
Total	**12 945.0**	

Outline of project proposal

1. Project title (Department)

Objectives
Background
Relation to medium-term plan
Expected accomplishments
Duration
Proposed activities

2. Project title (Department)

Objectives
Background
Relation to medium-term plan
Expected accomplishments
Duration
Proposed activities

3. **Project title (Department)**

   Etc.

Notes

[a] This example uses the project proposals contained in document A/53/374/Add.1.

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GENERAL ASSEMBLY
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Agenda items 39 and 40
QUESTION OF PALESTINE
THE SITUATION IN THE MIDDLE EAST

SECURITY COUNCIL
Fifty-fourth year

Identical letters dated 7 May 1999 from the Permanent Representative of Algeria to the United Nations addressed to the Secretary-General and to the President of the Security Council

In my capacity as chairman of the Arab Group for May 1999 and on behalf of the members of the League of Arab States, I have the honour to draw your attention to the following:

Next Tuesday, 11 May 1999, is the fiftieth anniversary of the adoption by the General Assembly in 1949 of its resolution 273 (III), under which Israel was admitted to membership in the United Nations. The celebrations that Israel is holding to mark this occasion prompt us to take a serious look at Israel's conduct and at the positions it has adopted in its dealings with the United Nations as the repository of international legitimacy.

Israel has refused to honour the obligations and undertakings to which reference is made in the aforementioned General Assembly resolution, specifically those relating to the implementation of General Assembly resolutions 181 (II) of 29 November 1947 and 194 (III) of 11 December 1948, and it has also refused to abide by the declarations and explanations made by its representative before the Ad Hoc Political Committee in respect of the implementation of the said resolutions.

It is to be regretted that, 51 years after the adoption of General Assembly resolution 181 (II), Israel claims that the resolution is invalid and is still opposing the establishment of the Arab State in Palestine for which provision is made in that resolution. It refuses to comply with the terms of resolution 194 (III) and subsequent resolutions establishing the right of the Palestine refugees to return to their homes and property and the right to compensation for those choosing not to return. We remind you and the international community in this regard that 4.7 million Palestine refugees have for many decades been

living in wretched conditions far from their homeland while awaiting the implementation of United Nations resolutions adopted by the General Assembly 50 years ago.

This was not the end of the matter. Israel has persisted in systematically violating United Nations resolutions over the past three decades. It continues to occupy Arab Palestinian, Syrian and Lebanese territory, and it refuses to withdraw from these territories in flagrant violation of the provisions of the Charter of the United Nations, international law and the resolutions that embody international legitimacy. It pursues policies that are in breach of international humanitarian law, specifically the fourth Geneva Convention of 1949. These policies have been implemented in the form of settler colonialism, the expulsion of residents from the occupied territories and the destruction of their homes and expropriation of their land and property, the torture of prisoners, and the violation of human rights. Israel pursues these odious policies in all the territories that it occupies. It is also continuing to pursue policies that provoke tension and pose a threat to international peace and security in general and to the security of the Arab States in particular, such as its refusal to accede to the Treaty on the Non-Proliferation of Nuclear Weapons and its refusal to submit its nuclear facilities to the International Atomic Energy Agency's full-scope safeguards regime.

Given that eight years have already elapsed since the peace process between the Arab parties and Israel began at Madrid in 1991 on the basis of Security Council resolutions 242 (1967), 338 (1973) and 425 (1978) and the principle of land for peace, and given the developments there have been on the various tracks pursued under the process, we find it regrettable that the present Israeli Government rejects the very foundation on which the peace process is based, which would require its complete withdrawal from all the Arab territories it occupies. It also persists in ignoring the obligations assumed and undertakings given by the previous Government, and it is this that has led the peace process into an impasse and has prompted the United Nations to expressions of concern and indeed condemnation with regard to the positions taken by Israel. These can be found in a large number of its resolutions and most prominently in those recently adopted by the General Assembly at its tenth emergency special session.

Today, 50 years after Israel's admission to membership in the United Nations, it must be stressed that it is incumbent on Israel to discharge the obligations and fulfil the undertakings that it then assumed and in accordance with which its membership was accepted. In the light of the ongoing responsibility of the United Nations for the question of Palestine and of its role in establishing a just and comprehensive peace in the Middle East, the international community must ensure that Israel respects the provisions of the Charter of the United Nations, international law in general and international humanitarian law, the resolutions of the United Nations and the agreements that it has signed with its neighbours. Israel must withdraw, without qualifications or conditions, from all the occupied Palestinian territories, including Jerusalem, from the occupied Syrian Golan back to the line of 4 June 1967, and from occupied southern Lebanon. It must also desist from its policy of settler colonialism, and it must respect the national rights of the Palestinian people and principally its right to exercise self-determination and establish an independent Palestinian State in accordance with its natural right to establish

such a State, General Assembly resolution 181 (III) of 1947 and the Declaration of Independence of 1988.

I should be grateful if you would have this letter circulated as a document of the General Assembly, under items 39 and 40, and of the Security Council.

(Signed) Abdallah BAALI
Ambassador
Permanent Representative of Algeria
to the United Nations
Chairman of the Arab Group